

Message Text

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ACTION ARA-10

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TO SECSTATE WASHDC 7191

C O N F I D E N T I A L SECIN 1 OF 2 CARACAS 3507

E.O. 11652: GDS
TAGS: PFOR, AMGT, ECRP, VE
SUBJECT: PARM-ANNUAL POLICY AND RESOURCE ASSESSMENT-
PART I - VENEZUELA

REFS: A) STATE 038356, B) STATE 04561, C) STATE 047671,
D) STATE 038338, E) STATE 067360, CERP 0001

1. U.S. INTERESTS: LONG TERM US INTERESTS IN VENEZUELA ARE:
A) ACCESS TO VENEZUELA OIL; B) VENEZUELA'S COOPERATION
AND SUPPORT ON GLOBAL AND REGIONAL ISSUES IMPORTANT TO THE
US, ESPECIALLY HUMAN RIGHTS, NORTH-SOUTH ISSUES, AND
SPECIFIC HEMISPHERE MATTERS IN WHICH IT HAS THE CAPACITY
TO HELP, SUCH AS PANAMA AND THE CARIBBEAN; C) MAINTENANCE
OF VENEZUELA AS A MAJOR MARKET FOR US GOODS AND SERVICES;
AND D) THE CONTINUED VIABILITY AND SURVIVAL OF VENEZUELA'S
DEMOCRATIC SYSTEM, SINCE THAT SYSTEM AND TRADITION PROVIDE
A BASE OF SHARED VALUES THAT INCREASES THE CHANCE OF
COOPERATION AND FOR SEEING THINGS MORE OR LESS THE
WAY WE DO.

2. OVERVIEW: (NOTE: FOR ANALYSIS OF THE VENEZUELAN
SETTING AND US-VENEZUELAN RELATIONS SEE CARACAS 0919,
0653, AND 0654.) VENEZUELA IS WEALTHY. NOT ONLY IS IT
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AN IMPORTANT OIL PRODUCER, BUT IT ALSO HAS VERY SUB-
STANTIAL HOLDINGS OF PETRODOLLARS. VENEZUELA IS DETERMINED
TO PLAY A ROLE BOTH IN CERTAIN WORLD FORA, AND IN THE
HEMISPHERE, AND ITS WEALTH AND HISTORIC CIRCUMSTANCE
TODAY ALLOW IT TO DO SO. ON THE WORLD STAGE, VENEZUELA
ASPIRES TO THIRD WORLD LEADERSHIP AND PLAYS AN ACTIVE
ROLE IN CIEC AND THE NORTH/SOUTH DIALOGUE, IN OPEC,

IN THE IMF AND IN THE LAW OF THE SEA CONFERENCE. IN THE HEMISPHERE, VENEZUELA IS AN INFLUENTIAL ACTOR IN THE CARIBBEAN, IN THE ANDEAN PACT AND IN SELA. IT HAS THE CAPACITY TO INFLUENCE PANAMA IN THE CURRENT TREATY NEGOTIATIONS. BILATERALLY, VENEZUELA IS IMPORTANT TO US AS A SOURCE OF OIL AND FOR SIZEABLE TRADE AND INVESTMENT OPPORTUNITIES. IT IS ONE OF THE VERY FEW FUNCTIONING DEMOCRACIES IN THE HEMISPHERE; ONE OF THE FEW COUNTRIES IN LATIN AMERICA WILLING TO SPEAK OUT ON HUMAN RIGHTS; AND ONE OF THE FEW SERIOUSLY INTERESTED IN INTERNATIONAL AGREEMENTS AGAINST TERRORISM. IN SHORT, VENEZUELA TODAY PLAYS A WORLD ROLE OUT OF PROPORTION TO ITS SIZE AND HISTORICAL POSITION IN LATIN AMERICA. IN PLAYING THIS ROLE, VENEZUELA CAN HELP ADVANCE OR ADVERSELY AFFECT IMPORTANT U.S. INTERESTS. FOR THIS REASON, AND BECAUSE VENEZUELA IS AND CAN BE AN IMPORTANT SOURCE OF OIL FOR THE U.S., WE NEED VENEZUELA'S FRIENDSHIP AND COOPERATION.

3. IN THE NEXT FEW YEARS US-VENEZUELAN RELATIONSHIPS WILL BE AFFECTED BY THE FOLLOWING FACTORS: A) THE CENTRAL ISSUE OF OIL; B) THE CHALLENGE OF NEWLY ASSERTIVE VENEZUELAN DIPLOMACY, INCLUDING BOTH THE OPPORTUNITY TO SECURE ITS CONSTRUCTIVE COOPERATION, AND THE PROBLEMS SPRINGING OUT OF SENSITIVITIES AND CONFLICTING INTERESTS; C) THE OPPORTUNITIES AFFORDED BY THE GOV'S DESIRE TO MOVE CLOSER TO THE CARTER ADMINISTRATION AND TO SUPPORT THE US ON SUCH MATTERS AS HUMAN RIGHTS; D) THE PROBLEMS AND OPPORTUNITIES OF INVESTMENT AND TRADE, BOTH IN TERMS OF

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THE PROBLEMS OF LOCAL US INVESTORS AND THE OPPORTUNITIES FOR INCREASED US PARTICIPATION IN TRADE AND IN MAJOR DEVELOPMENT PROJECTS; AND E) THE OPPORTUNITIES FOR TRANS-SOCIETAL LINKS AND ASSISTANCE PRESENTED BY VENEZUELA'S NEED FOR TRAINING, EDUCATIONAL PROGRAMS AND TECHNOLOGY.

4. WE HAVE THEREFORE SOUGHT TO DEVISE A STRATEGY THAT WILL TAKE INTO ACCOUNT THESE FACTORS. ESSENTIALLY THIS WILL INVOLVE CONSULTATIONS AND INTERCHANGE ON THE WHOLE SPECTRUM OF OUR RELATIONSHIPS--GOOD OFFICES AND APPROPRIATE ASSISTANCE TO RESOLVE BUSINESS DISPUTES, CONSULTATION ON HEMISPHERE PROBLEMS, AVAILING OURSELVES AS APPROPRIATE OF GOV'S OFFERS OF HELP ON SUCH MATTERS AS PANAMA, KEEPING THE GOV INFORMED OF OUR VIEWS. IT WILL INVOLVE AN ACTIVE AND GROWING COMMERCIAL PROMOTION PROGRAM. IT WILL INVOLVE QUICK AND EFFECTIVE RESPONSE TO EXPRESSED NEEDS FOR TECHNICAL ASSISTANCE, TECHNOLOGY AND SCIENTIFIC EXCHANGES.

5. IN ADDITION, WE PROPOSE TO INCREASE OUR CAPACITY TO FOSTER INFORMATIONAL AND CULTURAL TIES, NOT ONLY BETWEEN GOVERNMENTS BUT BETWEEN SOCIETIES. IN THE ABSENCE OF LARGE OFFICIAL PROGRAMS SUCH AS AID, THE MOST LOGICAL MEANS FOR CEMENTING INTERACTION LIE IN THIS AREA. WE THEREFORE ENVISAGE AN APPROPRIATE MECHANISM--OR BETTER SAID, CUSTOM AND HABIT--BETWEEN THE TWO GOVERNMENTS, NOT NECESSARILY ELABORATE OR FORMAL BUT WHICH WOULD FACILITATE PERIODIC MEETINGS OF PRINCIPALS AT THE CABINET, SUB-CABINET AND WORKING LEVELS ON SPECIFIC SUBJECTS AS THE CIRCUMSTANCES MAY REQUIRE. WE ALSO ENVISAGE A SUBSTANTIAL INCREASE IN EDUCATIONAL EXCHANGE, IN INFORMATIONAL ACTIVITIES, IN THE SPONSORSHIP OF SYMPOSIA AND SEMINARS, INCLUDING THE SYSTEMATIZATION OF ANNUAL HIGH-LEVEL SYMPOSIA, LIKE CHATHAM HOUSE OR THE TRILATERAL COMMISSION MEETINGS.

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6. WE ARE NOT OVERLY OPTIMISTIC AS TO WHAT BILATERAL ACTIONS CAN DO, THOUGH WE THINK THEY CAN STRENGTHEN A BASIC RESERVOIR OF GOOD WILL. ULTIMATELY, IT IS THE US ACTION ON GLOBAL MATTERS AND POLICIES--ENERGY, CIEC, TRADE, ETC.--WHICH MAY HAVE THE MOST DETERMINING EFFECT ON OUR STRATEGY. WE ONLY SUGGEST THAT THE IMPACT--AND ROLE--OF VENEZUELA IN THESE GLOBAL MATTERS SHOULD BE A FACTOR IN THE EQUATION.

7. OBJECTIVES AND COURSES OF ACTION.

A. OBJECTIVE:

MAINTENANCE OF US ACCESS TO VENEZUELAN OIL AT MAXIMUM AVAILABLE VOLUME.

COURSES OF ACTION:

(1) ENCOURAGE THE GOV TO SPEED SATISFACTORY RESOLUTION OF OUTSTANDING NATIONALIZATION MATTERS (BACK TAXES, GUARANTEE FUND, ETC.)--AS PRE-REQUISITE TO COOPERATION IN OTHER PETROLEUM MATTERS.

(2) CONSIDER VENEZUELAN VIEWS AS WE DEVELOP OUR ENERGY POLICY IN THOSE ASPECTS INVOLVING OR AFFECTING IMPORTED PETROLEUM.

(3) ENCOURAGE AS APPROPRIATE--AND WITH DUE REGARD TO POLITICAL AND NATIONALISTIC SENSITIVITIES--THE DEVELOPMENT OF NEW OIL RESERVES INCLUDING OFFSHORE AREAS AND THE ORINOCO HEAVY OIL BELT, AND THE USE OF US TECHNOLOGY AND SERVICES THEREWITH.

(4) CONSIDER VENEZUELA AS A MAJOR SOURCE OF ANY
USG PURCHASED PETROLEUM FOR STOCKPILE PURPOSES.

B. OBJECTIVE:
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RETAIN, AND IF POSSIBLE IMPROVE, THE US POSITION
AS A MAJOR SUPPLIER OF GOODS AND SERVICES.

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C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 3507

COURSES OF ACTION:

(1) EXPAND THE COMMERCIAL EXPORT PROGRAM,
ESPECIALLY MARKET DEVELOPMENT ACTIVITY, THROUGH TRADE SHOWS AND
OTHER ACTIVITIES USING EXPOSITION BUILDING TO BE ERRECTED IN
CONJUNCTION WITH THE UNIVERSIDAD METROPOLITANA.

(2) SUPPORT AS APPROPRIATE US BIDDERS ON MAJOR
DEVELOPMENT PROJECTS.

(3) FILL THE COUNTRY FINANCE SERVICES ATTACHE
SLOT AS SOON AS POSSIBLE.

(4) EXPLORE A SCIENCE AND TECHNOLOGY AGREEMENT TO
PROVIDE A FRAMEWORK FOR A BETTER US RESPONSE TO VENEZUELAN

DESIRES FOR TECHNOLOGY, TECHNICAL ASSISTANCE, AND SCIENTIFIC EXCHANGE.

C. OBJECTIVE:

VENEZUELA'S SUPPORT AND COOPERATION IN GLOBAL ISSUES OF IMPORT TO US, AND A VENEZUELAN PERCEPTION OF A RESPONSIVE US ATTITUDE AND "WILL" REGARDING THIRD WORLD, INTERNATIONAL ECONOMIC AND HEMISPHERE INTEGRATION ISSUES.
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COURSES OF ACTION:

(1) REPEAL THE GSP EXCLUSION IN TRADE ACT.

(2) CONSULT FREQUENTLY WITH GOV ON MAJOR ISSUES AND KEEP IT INFORMED OF OUR PERSPECTIVES AND IDEAS. USE FREQUENT AND FRANK EXCHANGE OF VIEWS TO GIVE GOV SENSE OF BEING TAKEN INTO ACCOUNT.

(3) TAKE ADVANTAGE AS APPROPRIATE OF SPECIFIC OFFERS OF ASSISTANCE SUCH AS IN PANAMA CASE.

(4) WORK CLOSELY WITH VENEZUELA ON THOSE ISSUES IN WHICH WE SHARE SIMILAR POSITION, E.G. HUMAN RIGHTS, TERRORISM.

(5) USE THE FORTHCOMING PRESIDENTIAL VISIT AS AN OPPORTUNITY FOR A JOINT PRESIDENTIAL DECLARATION ON HUMAN RIGHTS.

NOTE: OBVIOUSLY TO A CONSIDERABLE DEGREE, ACHIEVEMENT OF THIS OBJECTIVE DEPENDS UPON THE LARGER QUESTION OF US GLOBAL POLICIES ON SUCH MATTERS AS NORTH-SOUTH ISSUES. BUT VENEZUELA'S CAPACITY TO PLAY SIGNIFICANT ROLE IN WORLD FORA ON THESE MATTERS SHOULD MAKE ITS VIEWS--AND THE IMPACT OF OUR POLICIES ON IT--AN IMPORTANT ELEMENT IN THE EQUATION AS WE FORMULATE SUCH GLOBAL POLICIES.

D. OBJECTIVE:

INCREASED INTERACTION BETWEEN THE TWO SOCIETIES TO CREATE OVERALL LINKS AND TIES THAT CAN LEAD TO LONG-RANGE FRIENDSHIP AND INFLUENCE AND BETTER UNDERSTANDING OF US PURPOSES AND POLICIES.

COURSES OF ACTION:

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(1) ESTABLISH A USIA INFORMATION CENTER AS A NUCLEUS FOR INFORMATIONAL AND CULTURAL PROGRAMMING.

(2) SUBSTANTIALLY INCREASE IV'S, AMERICAN SPECIALISTS, AND OTHER EXCHANGE PROGRAMS.

(3) REINSTATE THE FOREIGN STUDENT SCHOLARSHIP PROGRAM.

(4) SPONSOR AND SUPPORT SEMINARS AND SYMPOSIA ON MAJOR TOPICS OF JOINT INTEREST.

(5) CONSIDER HOW USG MIGHT SUPPORT OR SPONSOR INSTITUTIONALIZATION OF AN ANNUAL HIGH-LEVEL SYMPOSIUM INVOLVING GOVERNMENT AND CIVIC LEADERS ON BOTH SIDES.

(6) OFFER APPROPRIATE COUNSEL AND SUPPORT TO AYACUCHO SCHOLARSHIP PROGRAM.

(7) RESPOND PROMPTLY TO GOV REQUESTS FOR ASSISTANCE, E.G. CFS TECHNICAL SERVICES, SPECIAL PROJECTS, ETC.

(8) FUND EXPANDED LINKAGES BETWEEN UNIVERSITIES, THINK TANKS, PROFESSIONAL AND COMMERCIAL ASSOCIATIONS AND CULTURAL ORGANIZATIONS.

(9) PROMOTE AND FACILITATE THE INTRODUCTION OF MODERN COMMUNICATIONS TECHNOLOGY, INCLUDING THE USE OF SATELLITE VIDEO LINKS, INTO THE INSTITUTIONAL LINKAGES.

8. ISSUES.

A. SHOULD THE US TAKE SPECIAL MEASURES TO DEVELOP SECURE SOURCES OF PETROLEUM IN THE WESTERN HEMISPHERE? WE BELIEVE THAT WESTERN HEMISPHERE SUPPLIERS CONSTITUTE A RELATIVELY SECURE SOURCE OF OIL FOR THE US, AND THUS
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THEIR CONTINUED DEVELOPMENT CONTRIBUTES TO OUR ECONOMIC AND SECURITY INTERESTS. GIVEN THE VERY HIGH POTENTIAL OF RESERVES--VENEZUELA'S HEAVY OIL BELT, MEXICO, CANADA, AND THE CARIBBEAN RIM--A SUBSTANTIAL PORTION OF OUR MEDIUM TERM IMPORTED PETROLEUM NEEDS PROBABLY COULD BE MET FROM THIS HEMISPHERE. VENEZUELA HAS PROVED A RELIABLE SUPPLIER IN THE PAST AND CONTINUES TO SEE THE US AS ITS PRINCIPAL MARKET; THE SAME IS LIKELY TO BE TRUE OF MEXICO. THE US COULD ATTEMPT

TO PROMOTE THE DEVELOPMENT OF THESE RESERVES BY ENCOURAGING INCREASED PRIVATE US PARTICIPATION AND/OR PROVIDING DIRECT USG ASSISTANCE IN THIS DEVELOPMENT OR BY PROVIDING THIS OIL PREFERENTIAL ACCESS TO THE US MARKET. WHETHER THESE SPECIAL MEASURES SHOULD BE ADOPTED, HOWEVER, WILL HAVE TO BE DECIDED IN THE FRAMEWORK OF A TOTAL US ENERGY POLICY.

B. SHOULD WE SUBSTANTIALLY INCREASE OUR FUNDING OF INFORMATIONAL AND CULTURAL ACTIVITY IN VENEZUELA? AS POINTED OUT ABOVE, THE CIRCUMSTANCES IN VENEZUELA ARE SUCH THAT THE MOST USEFUL TOOLS WITH WHICH TO CEMENT UNDERSTANDING AND GOOD RELATIONS LIE IN THE AREA OF INFORMATION, CULTURAL AND EDUCATIONAL EXCHANGE AND SOCIETY-TO-SOCIETY CONTACTS. INDEED, IN THE ABSENCE OF OTHER MAJOR OFFICIAL PROGRAMS, SUCH AS DEVELOPMENT ASSISTANCE, THERE ARE FEW OTHER MEANS FOR CREATING AND DEEPENING THE IMPORTANT TIES OF COMMUNICATION, UNDERSTANDING, AND PERCEPTIONS OF MUTUAL INTEREST. WE HAVE THEREFORE PROPOSED, AS A MAJOR WAY TO ACHIEVE OUR BROAD POLICY OBJECTIVES, A MAJOR INCREASE IN PROGRAMS THAT AFFECT THE QUALITY OF COMMUNICATION AND HUMAN RELATIONSHIP. WE BELIEVE THIS IMPORTANT BECAUSE CURRENT LEVELS OF EXPENDITURES AND EFFORT ARE NOT ADEQUATE TO MAINTAIN THE MOMENTUM WE REQUIRE TO TAKE ADVANTAGE OF THE TREMENDOUS OPPORTUNITIES WE HAVE. CONSEQUENTLY WE HAVE SUGGESTED A THREEFOLD JUMP BY FY 1979 IN CULTURAL AND INFORMATIONAL PROGRAM FUNDING (SEE PART III).

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TIONAL PROGRAM FUNDING (SEE PART III).
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